

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	CC Docket No. 96-45
Federal-State Joint Board on)	
Universal Service)	

COMMENTS OF SPRINT CORPORATION

Sprint Corporation (“Sprint”), pursuant to the Public Notice released by the Commission on February 26, 2002 (DA 02-376), hereby comments on the request filed by AT&T to contribute to the Universal Service Fund (“USF”) based on projected revenues.

Although Sprint shares AT&T’s concern about the current USF assessment method and its resulting impact on the level of interexchange carriers’ (IXCs’) factors used to recover their universal service fund assessments, Sprint opposes AT&T’s waiver request. AT&T has failed to meet the standards for grant of a waiver established in *WAIT Radio Inc. v. FCC*, 418 F.2d 1153 (D.C. Cir 1969), *cert. denied*, 409 U.S. 1027 (1972) (*WAIT Radio*). The grant of AT&T’s waiver request either for AT&T alone or for all IXCs with diminishing revenues will lead to an unacceptable piecemeal and discriminatory approach to recovery of universal service fund requirements from long distance providers.

The purpose of a waiver is to provide relief from the application of a general rule or policy otherwise in the public interest where unique or special circumstances warrant and where it will service the public interest. The D.C. Circuit has observed that “[i]n remanding *WAIT Radio* to the agency to formulate an acceptable waiver policy, we held that a waiver is appropriate only if special circumstances warrant a deviation from the general rule and such deviation will service the public interest.” *Northeast Cellular Telephone Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990).

The circumstances AT&T describes in its waiver request are not “special” and do not justify the grant of a waiver. AT&T argues that relief is warranted because its USF contribution base is diminishing, forcing it to increase its USF line-item recovery charge, and because it has 50 million customers who will be impacted by such an increase.¹ A diminishing contribution base is not unique to AT&T. Many – if not most -- existing IXC’s are experiencing declining revenues.² Hence, the Contribution Base decreased by 6 percent in the last quarter of 2001 alone, which has forced the Commission to increase

¹ Letter from Robert W. Quinn, Jr., AT&T, to Ms. Magalie Roman Salas, Secretary, FCC, dated December 13, 2001 in CC Docket No. 96-45, page 2.

² In contrast, however, the revenues of the RBOCs which have been granted Section 271 authorization to provide in-region long distance service are rapidly increasing. Such carriers benefit significantly from the current lagged recovery mechanism because they take in more revenue from their surcharge (even if it matches the contribution factor) than they have to contribute to the USF.

the contribution factor by 6.4%.³ It is likely that customers of these other IXC's also will be faced with increases in the carriers' USF recovery charges because these carriers also must collect enough money to pay their USF bill that is based on revenues lagged by six months.

If the Commission were to grant AT&T's waiver and AT&T were to be permitted to use projected revenues for its Form 499Q, the treatment of AT&T would be more favorable than that afforded other interexchange carriers that have similarly decreasing revenues. Permitting AT&T to contribute based on projected revenues would allow it to lower its universal service fund recovery rate below those of its competitors that are paying on a lagged basis, but that are facing similar revenue declines. In addition, because AT&T would be contributing less revenue to the USF, the assessment rate would have to be increased for all carriers. Thus, all other IXC's whose revenues are decreasing would be placed at a serious competitive disadvantage if the Commission grants AT&T's waiver request.

³The increase in the Contribution Factor is due to the decrease in the Contribution Base and the increase in the Program Collection. The increase in the Contribution Factor due to the decrease in the Contribution Base is 6.4% . The most recent contribution factors are as follows:

	Contribution Factor	Program Collection	Contribution Base
2Q02	0.072805	\$1.385254 B	\$19.026825 B (4Q01 data)
1Q02	0.068086	\$1.378456 B	\$20.245789 B (3Q01 data)
% Change	+ 6.9%	+ 0.5%	- 6.0%

Sources: "Proposed Second Quarter 2002 Universal Service Contribution Factor," CC Docket No. 96-45, DA 02-562, released March 8, 2002, p. 3. "Proposed First Quarter 2002 Universal Service Contribution Factor," CC Docket No. 96-45, DA 01-2823, released December 7, 2001, p. 3.

AT&T is really challenging the method of recovery of USF costs, and thereby the validity of the current rules. Sprint agrees that the Commission's rules and regulations governing the recovery of universal service costs are in urgent need of reform. Because IXC revenues are declining while the universal service costs are increasing, carriers must increase their recovery factors to extremely high levels. The Commission has recognized that there are serious problems with the current system to recover the costs associated with federal universal service support and instituted a rulemaking to reform the universal service recovery mechanism.⁴ Sprint urges the Commission to expeditiously resolve the pending USF reform rulemaking. Only a complete reform will ensure equitable and nondiscriminatory recovery of the collection requirements.

For the above reasons, Sprint believes that AT&T's waiver petition must be denied. Sprint urges the Commission to act expeditiously in the pending rulemaking

⁴ *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans With Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, Notice of Proposed Rulemaking, 16 FCC Rcd 9892 (2001).

proceeding in order to adopt rules that apply on an industry-wide basis which will resolve the revenue-lag problem which prompted AT&T's waiver request.

Respectfully submitted,

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April 12, 2002

CERTIFICATE OF SERVICE

I, Christine Jackson, do hereby certify that this 12th day of April 2002 copies of the Comments of Sprint Corporation. in CC Docket No. 96-45 were delivered as indicated below to the following parties:

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